Manitoba

Annual Report
1988 - 89

The Manitoba
Beef Commission

91-01327/

Minister of
Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To The Lieutenant-Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the report of the Manitoba Beef Commission for the period April 1, 1988 to March 31, 1989.

Your obedient servant,

Gien Findlay,
Minister of Agriculture

MANITOBA BEEF COMMISSION
805 – 401 York Avenue Winnipeg, Manitoba R3C 0P8
Phone: (204) 945-4161

March 27, 1990

The Honourable Glen Findlay
Minister of Agriculture
Room 165 Legislative Building
Winnipeg, Manitoba

Dear Sir:

I have the honour of presenting herewith the 7th Annual Report of the Manitoba Beef Commission for the 12 month period ending March 31, 1989, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

David T. Fulton

David T. Fulton,
Chairman,
Manitoba Beef Commission.

The Manitoba Beef Commission

Board of Directors

Back row, left to right

Cornie Friesen *Director* *Grunthal*	*Innes Hodson* *Director* *Virden*	*Clifford Graydon* *Director* *Woodmore*

Front row, left to right

Dave Fulton *Chairman* *Birtle*	*Irene Moffatt* *Director* *Rorketon*	*Robert Stewart* *Vice-Chairman* *Russell*

Background

On April 1, 1982, the Minister of Agriculture announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission, with the subsequent activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of beef producers in Manitoba through the strengthening, expansion and unification of the total beef industry within the Province. The Commission believes a viable beef industry includes:
   (a) primary producers
   (b) the country auction system
   (c) custom feedlots and
   (d) the packing house industry.
2. To develop and administer a stabilization insurance fund which provides economic stability and operating confidence to the primary beef producer allowing for long term planning.
3. To develop and administer an orderly marketing system which strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.
4. To assist and encourage the retention, growing, finishing and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

- an on-going plan, with provision to join or opt out at any time
- stabilization on three classifications: calves, feeders and slaughter
- three levels of support to choose from in each classification
- jointly funded by the province and producers, with provision to blend into a Federal plan
- slaughter animals to be marketed through the central desk concept, with prices determined on a "pooled" basis
- administration by a Beef Commission operating independently, but in close cooperation with Manitoba Agriculture support services
- additional financial aid plans such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

The Commission

In September, 1982, the Manitoba Beef Commission was created by Regulation 186/82 under the Natural Products Marketing Act. The purpose of the Commission is to administer a provincial stabilization and marketing plan. A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the Board and Commission are under the supervision of the Manitoba Natural Products Marketing Council.

In August, 1988 by way of Order-in-Council 88/925 a new six member Board of Directors was appointed.

During the fiscal year 1988-89, the Board held 15 regular board meetings and 5 producer information meetings at various country points. A three member Review Committee was established to review and make recommendations on all client situations which fall outside normal operating policies. This committee scrutinized such cases in detail, with their recommendations presented at a regular Directors' meeting for ratification. The committee held eight regular meetings.

The Stabilization Plan

The support level in the Manitoba Beef Plan reflects producer costs. The formula, while not a cost-of-production budget, effectively measures changes that occur in the cost of production.

At July 1, 1988 the premium level was adjusted whereby the rate for calves, yearlings and slaughter was consistent.

Producers are rewarded for quality and quantity by the price received from the market place. When the market price falls below the support level, stabilization payments are based on the number of pounds produced and marketed. Both these concepts serve as an incentive for producers to produce a quality product at optimum efficiency.

A. LOWER SUPPORT LEVEL
LOWER PREMIUMS

Classification	LEVEL I Liveweight	Dressed	LEVEL II Liveweight	Dressed	LEVEL III Liveweight	Dressed
January 1, 1988 – June 30, 1988						
Slaughter animals						
Support	$72.27	$125.69	$75.22	$130.82	$77.21	$134.28
Producer Premium	4.5%		5.3%		6.5%	
Calves						
Support	$76.17		$81.36		$86.56	
Producer Premium	2.3%		3.0%		4.5%	
Yearlings						
Support	$69.02		$74.08		$77.12	
Producer Premium	2.3%		3.0%		4.5%	
July 1, 1988 – December 31, 1988						
Slaughter animals						
Support	$76.07	$132.30	$79.18	$137.70	$81.27	$141.34
Producer Premium	2.0%		3.0%		4.5%	
Calves						
Support	$79.57		$84.99		$90.42	
Producer Premium	2.0%		3.0%		4.5%	
Yearlings						
Support	$72.42		$77.72		$80.91	
Producer Premium	2.0%		3.0%		4.5%	
January 1, 1989, – June 30, 1989						
Slaughter animals						
Support	$83.45	$145.32	$86.98	$151.27	$89.28	$155.27
Producer Premium	2.0%		3.0%		4.5%	
Calves						
Support	$80.98		$86.49		$92.02	
Producer Premium	2.0%		3.0%		4.5%	
Yearlings						
Support	$76.44		$82.03		$85.40	
Producer Premium	2.0%		3.0%		4.5%	

For the year 1988/89 the following support and premium levels were in effect.

Participation

The Commission began the fiscal year with 4,370 active contracts registering a basic cow herd of 230,238 head. During the year 681 terminations were processed.

At fiscal year end, the Commission was operating with 3,689 active contracts registering a basic cow herd of 204,555 head.

During the fiscal year under review, the 100 percent earned forgiveness factor on the Productivity Enhancement Grant and the 62.5 percent earned forgiveness on excess stabilization payments, together with improved cattle prices, were contributing factors to the increased number who chose to terminate their contract.

B. HIGHER SUPPORT LEVEL
HIGHER PREMIUMS

Classification	LEVEL I Liveweight	LEVEL I Dressed	LEVEL II Liveweight	LEVEL II Dressed	LEVEL III Liveweight	LEVEL III Dressed
January 1, 1988 – June 30, 1988						
Slaughter animals						
Support	$79.24	$137.81	$82.19	$142.94	$84.18	$146.40
Producer Premium	12.8%		13.7%		14.9%	
Calves						
Support	$83.38		$88.57		$93.78	
Producer Premium	4.3%		7.5%		11.6%	
Yearlings						
Support	$76.11		$81.18		$84.22	
Producer Premium	4.3%		7.5%		11.6%	
July 1, 1988 – December 31, 1988						
Slaughter animals						
Support	$83.41	$145.06	$86.51	$150.45	$88.61	$154.10
Producer Premium	11.0%		12.0%		13.5%	
Calves						
Support	$87.10		$92.52		$97.96	
Producer Premium	11.0%		12.0%		13.5%	
Yearlings						
Support	$79.85		$85.17		$88.36	
Producer Premium	11.0%		12.0%		13.5%	
January 1, 1989, – June 30, 1989						
Slaughter animals						
Support	$91.63	$159.36	$95.03	$165.27	$97.34	$169.29
Producer Premium	11.0%		11.0%		13.5%	
Calves						
Support	$88.64		$94.16		$99.69	
Producer Premium	11.0%		12.0%		13.5%	
Yearlings						
Support	$84.28		$89.90		$93.26	
Producer Premium	11.0%		12.0%		13.5%	

Operating Details

Slaughter cattle were pooled on a weekly basis by sex, grade and weight classification. The pooled price determines the settlement price to the Producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle was included in the producer settlement cheque.

Unfinished cattle were marketed at a place and method of the producer's choice providing:

(a) the settlement cheque was made out in the name of the Commission and routed through the Commission, and

(b) the settlement statement clearly indicated the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The Commission paid producer settlements on the basis of selling price less producer premiums. Stabilization payments were made in the month following the date of sale, after the monthly average price had determined the rate of stabilization.

Effective July 1st, 1988 contract holders were granted permission to market their slaughter cattle by a method of their choice and were not restricted to the central desk marketing.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the Plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required and were adjusted downward July 1st, 1988 in all (slaughter) categories.

The amount of stabilization to be paid was determined as follows:

- For Slaughter Animals – the difference between the weekly "pool" price for A1 and A2 steers in the standard weight category, and the support level.
- For Feeders – the difference between the monthly average price for large frame lean feeder steers over 600 lbs., and the support level.
- For Calves – the difference between the monthly average price for good stock steer calves in the 400 to 600 lbs. weight range, and the support level.

Finished Cattle Marketings

The 1988/89 fiscal year was the sixth year of M.B.C. Central Desk Marketing. During this period, 29,731 slaughter cattle were marketed (6,063 head were sold on liveweight basis). Marketing fees amounted to $83,322 on $24,064,532 of market value.

Purchasers of M.B.C. slaughter cattle included all of the four federally inspected packinghouses in Manitoba, one wholesale purveyor and 12 provincially inspected rural abattoirs.

Final grading results on 23,668 steers and heifers were:

- A grades – 22,194 head or 93.77%
- B grades – 969 head or 4.09%
- C grades – 184 head or .78%

There were also 278 cows grading D1-5 and 43 bulls grading E1-2.

Unfinished Marketings

The Commission stabilized 78,599 head of unfinished cattle under the calf and feeder cattle aspect of the stabilization plan. Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the Commission continued to encourage "One Owner Finishing."

Manitoba Agricultural Credit Corporation

To maintain on-farm cash flow during the transitional period from marketing calves to that of finished animals, the Manitoba Agricultural Credit Corporation provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect of the program, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle were marketed.

From start-up date to March 31, 1989, 1,212 such loans were issued totalling $19.3 million, covering approximately 56,414 head of cattle. During the same period, 1,046 of these loans had been repaid in the amount of $16.1 million.

National Tripartite Beef Stabilization Plan

In February 1989 Manitoba signed an agreement to enter the National Tripartite Beef Stabilization Plan. As participation in the National Plan required phasing out the provincial stabilization programs steps were immediately put in place to effect an orderly transition.

Manitoba

The Manitoba Beef Commission

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D, E and F, of the Manitoba Beef Commission for the fiscal year ended March 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1989 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

October 13, 1989,
Winnipeg, Manitoba

F. H. Jackson, CA,
Provincial Auditor.

Exhibit A
The Manitoba Beef Commission

Balance Sheet

as at March 31, 1989

Assets

	1989	1988
Current assets:		
Funds on deposit with the Minister of Finance and in bank	$ 2,061,291	$ 1,909,689
Term deposit with the Minister of Finance	500,000	2,000,000
Accounts receivable:		
Packers and auction marts	168,416	348,816
Producers, less allowance for doubtful accounts (Note 3)	198,054	325,413
Inventory	11,119	45,384
	$ 2,938,880	$ 4,629,302

Liabilities and Fund Account Balances

Current liabilities:		
Accounts payable:		
Producers	$ 265,867	$ 605,720
Producer account credit balances (Note 5)	401,788	–
Government of the Province of Manitoba	29,564	114,886
Trade accounts	101,917	75,866
	799,136	796,472
Advance from the Government of the Province of Manitoba (Note 4)	18,000,000	23,500,000
	18,799,136	24,296,472
Fund account balances:		
Stabilization Fund Account (deficit), Exhibit C	(16,167,399)	(19,983,694)
Administration Fund Account, Exhibit E	307,143	316, 524
	(15,860,256)	(19,667,170)
	$ 2,938,880	$ 4,629,302

Approved by:

_____ Chairperson

_____ Director

Exhibit B
The Manitoba Beef Commission

Producer Fund Account
Statement of Operations

for the year ended March 31, 1989

	For the year ended March 31, 1989			For the year ended March 31, 1988		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	$ 24,054,820	$ 40,571,231	$ 64,626,051	$ 35,912,826	$ 61,515,757	$ 97,428,583
Packer, auction mart, insurance claims and miscellaneous	9,032	5,186	14,218	13,874	3,080	16,954
Net pool adjustments from Administration Fund Account, Exhibit E	680	71	751	1,988	4	1,992
Total revenue	$ 24,064,532	$ 40,576,488	$ 64,641,020	$ 35,928,688	$ 61,518,841	$ 97,447,529
Distribution:						
Assessments:						
Producer premiums, Exhibit C	$ 1,239,983	$ 2,066,230	$ 3,306,213	$ 2,453,964	$ 2,753,400	$ 5,207,364
Marketing fees, Exhibit E	83,322	–	83,322	182,361	–	182,361
	1,323,305	2,066,230	3,389,535	2,636,325	2,753,400	5,389,725
Direct charges:						
Assembly fees, etc.	2,613	–	2,613	19,397	–	19,397
Freight	11,242	–	11,242	13,354	206	13,560
Insurance	1,585	3,816	5,401	453	5,035	5,488
Dues paid on behalf of producers – M.C.P.A.	863	1,152	2,015	53	75	128
	16,303	4,968	21,271	33,257	5,316	38,573
Producer settlements	22,724,924	38,505,290	61,230,214	33,259,106	58,760,125	92,019,231
Total distribution	$ 24,064,532	$ 40,576,488	$ 64,641,020	$ 35,928,688	$ 61,518,841	$ 97,447,529

Exhibit C
The Manitoba Beef Commission

Stabilization Fund Account
Statement of Revenue and Expenditure and Deficit

for the year ended March 31, 1989

	1989	1988
Revenue:		
Producer premiums:		
Producer Fund Account, Exhibit B	$ 3,306,213	$ 5,207,364
Direct from producers	68,201	196,070
	3,374,414	5,403,434
Loan forgiveness contribution (Note 7)	208,797	466,447
Provincial premium contributions	1,317,319	1,705,647
Recovery of stabilization payments (Note 5)	625,540	560,034
Total revenue	5,526,070	8,135,562
Expenditure:		
Stabilization payments	914,096	73,644
Bad debt expense	393,891	14,382
Producer account credit balances (Note 5)	401,788	–
Total revenue	1,709,775	88,026
Excess of Revenue over Expenditure	3,816,295	8,047,536
Deficit, beginning of year	19,983,694	28,031,230
Deficit, end of year, Exhibit A	$ 16,167,399	$ 19,983,694

Exhibit D
The Manitoba Beef Commission

Productivity Enhancement Grant Fund Account
Statement of Operations

for the year ended March 31, 1989

	1989	1988
Recoveries of grants from producers	$ 65,608	$ 46,900
Less: Bad debt expense	40,361	7,370
	$ 25,247	$ 39,530
Distribution:		
Government of the Province of Manitoba	$ 25,247	$ 39,530

Exhibit E

The Manitoba Beef Commission

Administration Fund Account Statement of Revenue and Expenditure and Fund Account Balance

for the year ended March 31, 1989

	1989	1988
Revenue:		
Grant – Government of the Province of Manitoba	$ 421,000	$ 294,000
Interest	301,200	301,382
Marketing fees, Exhibit B	83,322	182,361
Producer penalty	5,431	12,500
Producer interest	97,786	55,504
Recovery of provincial premium contributions on cancellation of producers' contract (Note 6)	164,480	227,465
Total Revenue	1,073,219	1,073,212
Expenditure		
Advertising and promotion	10,544	13,054
Audit	22,820	23,660
Bad debt expense – Producer interest	155,630	–
Bank charges	6,207	8,569
Computer services and equipment	151,254	177,652
Directors' fees and expenses	49,960	38,014
Delivery	8,141	7,699
Dues and subscriptions	212	372
Furniture and fixtures	55	–
Hall rentals	1,243	872
Health and post-secondary education tax levy	11,372	11,592
Fieldmen expenses	17,265	38,700
Inventory write-down	30,000	–
Legal fees	8,304	500
Miscellaneous	4,533	(742)
Net pool adjustements to Producer Fund Account, Exhibit B	751	1,992
Postage and telephone	44,879	15,898
Printing and stationery	19,346	17,841
Purchase trading, Exhibit F (Note 8)	3,211	1,330
Rentals	–	450
Repairs and maintenance	217	254
Salaries and employee benefits	520,825	539,950
Travel	15,831	18,865
Total Expenditure	1,082,600	916,522
Excess of Revenue over Expenditure	(9,381)	156,690
Balance, beginning of year	316,524	159,834
Balance, end of year, Exhibit A	$ 307,143	$ 316,524

Exhibit F
The Manitoba Beef Commission

Statement of Purchase Trading Revenue and Expenditure

for the year ended March 31, 1989

	1989	1988
Revenue:		
Proceeds on sale of cattle	$ 1,183,708	$ 60,395
Packer, insurance claims	1,948	–
Total revenue	1,185,656	60,395
Direct Expenditure:		
Cattle purchases	1,149,391	58,818
Freight	23,410	2,590
Yardage, feed and commission	10,437	147
Insurance and grading	1,140	170
Brokerage	4,489	–
Total direct expenditures	1,188,867	61,725
Excess of direct expenditures over revenue, Exhibit E (Note 8)	$ 3,211	$ 1,330

The Manitoba Beef Commission

Notes to Financial Statements

for the year ended March 31, 1989

1. Status of the Commission

The Manitoba Beef Commission was established on September 1, 1982 by regulation under the Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under the Natural Products Marketing Act. The purpose of this Plan is to maximize the return to the producer in the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund Account was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund Account was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund Account was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund Account was established to account for the Commission's administrative, marketing and purchase trading operations.

In February, 1989, the National Tripartite Price Stabilization Program for Feeder Calves, Feeder Cattle and Slaughter Cattle was signed by Canada as represented by the Minister of Agriculture for Canada, and by the Province of Manitoba as represented by the Minister of Agriculture for Manitoba. The Manitoba Beef Stabilization Plan was then terminated on June 30, 1989. It is intended that the balance of the Beef Commission's operations will be discontinued by March 31, 1990. Any additional activities after that date, to collect outstanding accounts receivable or to market cattle will be accounted for as part of the operations of the Department of Agriculture.

2. Significant accounting policies

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund Account, Stabilization Fund Account, Productivity Enhancement Grant Fund Account and the Administration Fund Account. The assets and liabilities of all of the fund accounts are combined on the balance sheet. The Producer Fund Account and the Productivity Enhancement Grant Fund Account by their nature have nil balances at year end.

c) The Government of the Province of Manitoba provides for the interest on the advances to the Commission (Note 4); for office space at an approximate annual cost of $68,000; and for certain administrative and field representative services, at no cost to the Commission. The value of these benefits to the Commission is not reflected in the financial statements.

3. Accounts receivable – producers

The accounts receivable from producers consists of:

	1989	1988
Stabilization payments recoverable	$ 979,854	$ 546,578
Productivity enhancement grants	344,646	329,570
Premiums	70,681	77,054
Interest	141,768	54,209
Other	16,249	17,179
	1,553,198	1,024,590
Less: Allowance for doubtful accounts	1,355,144	699,177
	$ 198,054	$ 325,413

4. Advance from the Government of the Province of Manitoba

The Government of the Province of Manitoba authorized repayable advances to the Commission of up to $41,600,000 for the purpose of funding the deficit of the Stabilization Fund Account when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1989 the amount advanced to the Commission was $18,000,000 (1988 – $23,500,000), of which the Commission had drawn $16,297,720 (1988 – $20,662,293) with the balance of $1,702,280 (1988 – $2,837,707) maintained on deposit with the Minister of Finance in a trust account.

Interest charged on the advances by the Department of Finance is paid from an appropriation of the Department of Agriculture in the amount of $2,018,958 in 1989 (1988 – $2,677,364).

5. Termination of contract

Producers may terminate their contracts with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

With the introduction of the new tripartite price stabilization program (Note 1.b) the decision was made to recognize the liability for credit balances in the producer accounts, since these liabilities would have to be paid out over the final year's operations. Producer credit balances in the amount of $401,788 are included in the expenditures of the Stabilization Fund Account for the year ended March 31, 1989. The total liability for credit balances in producer accounts is shown as a current liability on the Commission's March 31, 1989 balance sheet. Previously these credit balances were netted against the accumulated deficit of the Stabilization Fund Account.

6. Recovery of provincial premium contributions

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund Account. For the year ended March 31, 1989 the recovery of the provincial premium contributions transferred to the Administration Fund Account was $164,480 (1988 – $227,465), which represented a recoverable amount of $208,745 (1988 – $232,372) less bad debt expense of $44,265 (1988 – $4,907).

7. Recovery of loan forgiveness

The Government of the Province of Manitoba funds the earned forgiveness portion of the deficit balances of terminated producer contracts. For the year ended March 31, 1989 the forgiveness portion received from the Province was $208,797 (1988 – $466,447) which represented the earned forgiveness for the period April 1, 1988 – March 31, 1989.

8. Purchase trading

During the year ended March 31, 1989, the Commission purchased cattle from its clients and subsequently sold these animals out of the Province. Direct expenditures on these transactions have been reflected in the Statement of Purchase Trading Revenue and Expenditure, Exhibit F. Indirect expenditures related to this program are included in Exhibit E.